

30 November 2023

## Australian private credit, October A soft update as year end approaches. October 0.3% mth, 4.8% yr.

Private sector credit reported a soft update for the month of October, as we approach year end.

Credit expanded by a subdued 0.3% in the month, moderating from a 0.5% gain for September. That October result is a fraction below the 0.4% monthly average pace for the 2023 year to date.

Annual growth slowed to 4.8%, from an upwardly revised 5.0% for September. That is a fresh two year low, the slowest annual pace since August 2021.

The October detail included: housing expanded by 0.4% mth, 4.2% yr; business grew by 0.3% mth, 6.4% yr; and personal rose 0.2% mth, 2.4% yr.

As we've discussed previously, the back story is that credit growth slowed appreciably during 2022 in the face of sharply higher interest rates which reduced borrowing capacity. The monthly pace of credit growth stepped lower between the first nine months of 2022 (a 0.7% average) and the final quarter (a 0.4% average).

As noted above, credit growth has broadly held at a 0.4% monthly average for the 2023 year to date - albeit with some volatility month-to-month. That stabilisation in the monthly pace mirrors developments in the housing market.

The housing market did feel the impacts of sharply higher interest rates. From the start of 2022 to February 2023, new lending for housing declined as borrowing capacity was sharply curtailed, with lending down by 33% (retreating from very high levels).

However, in 2023 there are signs of a stabilisation of the housing market - notably of dwelling prices, at a time of tight supply. New lending over the seven months February to September rebounded by 9.5%. The housing credit growth pulse, the 3 month annualised pace, ticked higher to 4.3% in October on the back of that rebound in new lending.

Annual business credit growth has slowed appreciably, from a brisk 13.8% in October 2022 to 6.4% currently. The 6 month annualised pace has dipped to 5.8%, but that is still a little above the decade average of 4.7%.

The question, where to from here for business credit and business investment? The soft October reading of 0.3% for business credit growth may be a harbinger of things to come. Moving into 2024, business investment is unlikely to keep running well ahead of the economy. Firms will likely temper investment spending (notably on equipment) given weak consumer demand, the end of generous tax incentives on 30 June 2023, and the squeeze of business profitability.

Equally, any further slowdown in business credit momentum is unlikely to be as sharp as in past downturns. The economy is expected to manage a relatively soft landing, business balance sheets are in good shape, firms are looking to boost productivity, and the economy is still operating at a relatively high level of capacity.

**Andrew Hanlan**, Senior Economist

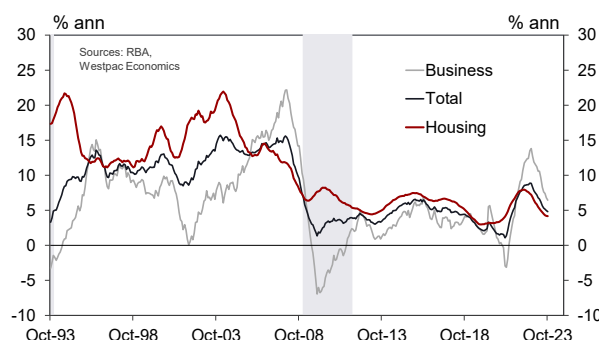
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### Credit

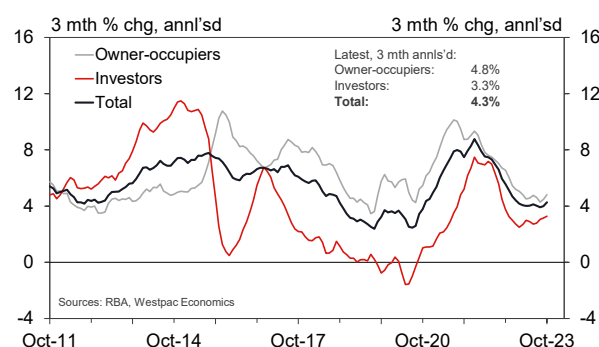
Item	Mth		Ann	
	Sep	Oct	Sep	Oct
Total credit	0.5	0.3	5.0	4.8
Business	0.8	0.3	6.8	6.4
Other personal	0.5	0.2	2.4	2.4
Housing, total	0.4	0.4	4.2	4.2
Owner-occupier housing	0.4	0.4	4.9	4.8
Investor housing	0.3	0.3	2.9	2.9

Sources: RBA, Westpac Economics.

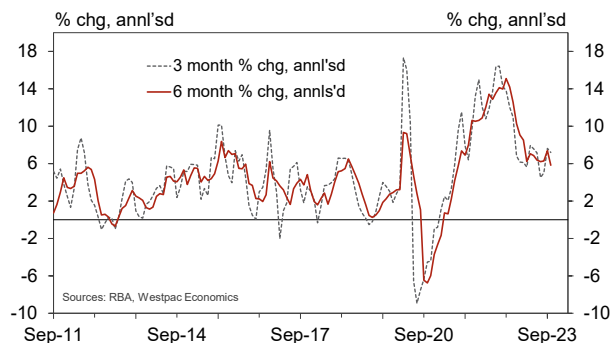
### Total credit: annual growth 4.8%, a 2 year low



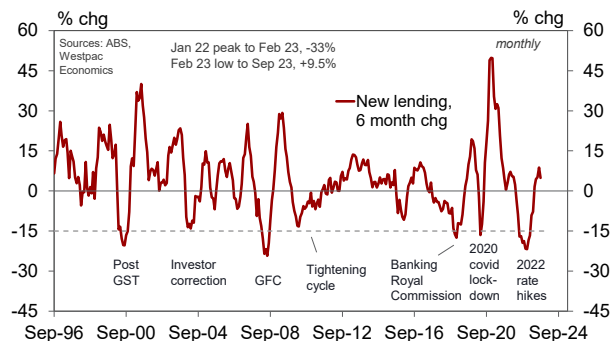
### Housing credit: growth pulse ticks-up to 4.3%



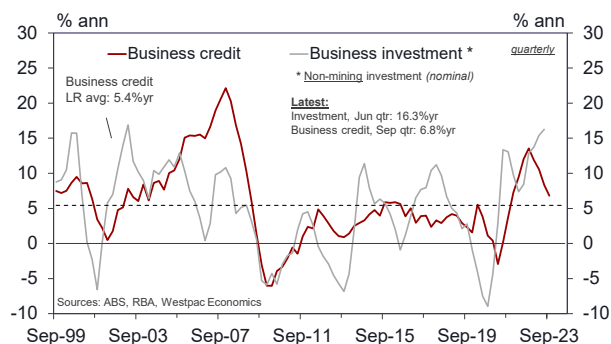
### Business credit: 6 mth annls'd growth at 5.8%



### Housing finance: off lows in 2023



### Business credit & investment



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